# Partnerships British Columbia Inc.

## 2014/15
## ANNUAL SERVICE PLAN REPORT

partnerships
British Columbia

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# Board Chair's Message and Accountability Statement

It is my pleasure to present the 2014/15 Annual Report for Partnerships British Columbia Inc.

Government reviewed the activities of Partnerships BC as part of its broader Crown agency review, confirmed the continued strategic value that Partnerships BC brings in the delivery of large and complex public infrastructure projects, and refreshed Partnerships BC's mandate.

Partnerships BC's Board and management subsequently developed a new strategic plan and updated the Organization's vision, values, corporate goals and performance measures. Partnerships BC continues to be focused on supporting public sector owners in planning, procuring and implementing complex infrastructure projects, with an increased emphasis on engaging with clients and stakeholders about Partnerships BC's role and activities.

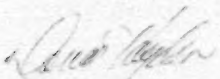
Going into 2014/15, fluctuations in the government of B.C's capital spending plan, gave cause for concern that Partnerships BC would experience an operating loss. To address this situation, Partnerships BC took on significant new work in other Canadian jurisdictions including Saskatchewan, Yukon, and Newfoundland and Labrador, generating 44 per cent of its work fees from clients outside of the B.C. government reporting entity. Partnerships BC supported project owners in B.C. and other Canadian jurisdictions on 13 procurements, five of which reached financial or contract close. Partnerships BC ended the year with an operating surplus of $540,000, as opposed to the budgeted operating loss of $1,830,000.

In 2014/15, there was also a significant transition in the senior management team, including the appointment of a President and Chief Executive Officer and two Vice Presidents. These appointments resulted from a thoughtful internal succession strategy designed to ensure continuity and consistency for Partnerships BC's clients.

B.C. partnership projects received three national awards from the Canadian Council for Public-Private Partnerships, the Infrastructure Journal's North American Social Infrastructure Deal of the Year award, and the Canadian Public Relations Society's Community Relations Campaign of the Year award.

The Partnerships BC Board also saw several changes during 2014/15. I joined the Board as Chair, James Greatbanks joined as a Director, and two Directors' terms on the Board ended. On behalf of the entire Board of Directors, I would like to thank Gordon Steele for his service and contribution during his Board tenure, and also acknowledge the late Brian Bentz who spent five years as a highly respected and valued Board member. Finally, I would like to acknowledge the professionalism and dedication of the entire Partnerships BC team during a year of significant change.

The Partnerships British Columbia Inc. *2014/15 Annual Service Plan Report* compares the corporation's actual results to the expected results identified in the *2014/15 - 2016/17 Service Plan.* I am accountable for those results as reported.



*Dana Hayden*
*Board Chair*

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# Purpose of the Organization

Partnerships BC is owned by the Province of British Columbia and governed by a Board of Directors reporting to its sole Shareholder, the Minister of Finance. It is incorporated under the British Columbia Business Corporations Act.

**Vision**

Partnerships BC's vision is to be a recognized leader in evaluating, structuring and implementing delivery solutions for complex public infrastructure projects while delivering consistent value to our clients.

**Mandate**

Partnerships BC supports the public sector in meeting its infrastructure needs by providing leadership, expertise and consistency in the procurement of complex capital projects by utilizing private sector innovation, services and capital to deliver measureable benefits for taxpayers.

**Values**

Consistent with the 2014 Taxpayer Accountability Principles of the Province of B.C., Partnerships BC's values are as follows:

- **Service:** Partnerships BC is committed to value-added, cost-effective, efficient client service.
- **Commitment:** Partnerships BC is committed to delivering high-quality work, to working together as a team, and to collaborating and communicating in a timely way.
- **Accountability:** Partnerships BC is committed to the transparent management of its business, to reporting out on operations, and to ensuring compliance with public sector compensation guidelines.
- **Integrity:** Partnerships BC is committed to making decisions and taking actions that are transparent, ethical and free from conflict of interest, and to adhering to its ethical code of conduct.
- **Respect:** Partnerships BC is committed to engaging in effective, equitable, compassionate and respectful communications.

# Strategic Direction and Context

## *Strategic Direction*

Partnerships BC's strategic direction and context were set by its Shareholder, as per the Crown's 2014/15 Government Letter of Expectations. Priority strategic actions included:

- Engaging and working closely with provincial agencies on the review, approval and delivery of PPP projects.
- Support for planning and procurement of capital assets.
- Ensuring public private partnerships (PPP) best practices are aligned with the Capital Asset Management Framework (CAMF).

- Quarterly updates for the Deputy Minister of Finance.
- Developing an enhanced stakeholder engagement/communications strategy regarding PPP methodology and procurement.

In addition, the 2014 Taxpayer Accountability Principles and the 2013/14 Partnerships BC Crown Review (the 'Review') provide further direction for the Organization's mandate and service delivery model.

Partnerships BC continues to assess and manage financial and operating risks by being flexible and nimble, and by anticipating and responding to client needs and potential fluctuations in market participation. In addition, Partnerships BC's services to clients outside of the provincial entity creates opportunities for B.C. companies to participate in other markets, in alignment with the Government of B.C.'s job creation and investment goals. This also provides opportunity for best practices and lessons learned through working with other jurisdictions to be added to the knowledge base in B.C., furthering the goal of continuous improvement in client service and experience.

### *Strategic Context*

Since its inception in 2002, Partnerships BC has participated in more than 40 projects with an investment value of more than $17 billion in B.C. In addition, the Organization has participated in more than 10 projects outside of B.C. These projects – which are either operational, under construction, or currently in the competitive selection process – have and will deliver significant benefits to British Columbians and other taxpayers.

Partnerships BC's operating environment has, and will continue to evolve as it works with the Ministry of Finance to address recommendations from the Review. The past year has been one of transition for Partnerships BC with a change in its senior leadership team and new Chair of the Board of Directors, combined with implementing the recommendations from the Review and adapting to a reduced workflow from provincially funded capital projects.

## Report on Performance

Partnerships BC had a successful year in 2014/15 supporting project owners in British Columbia and across a number of Canadian jurisdictions on 13 procurements and reaching financial or contract close on five projects.

Partnerships BC delivered services in accordance with the strategic priority actions from the 2014/15 Government Letter of Expectations and is working with the Board of Directors to determine additional steps to work towards the 2014 Taxpayer Accountability Principles activities, such as the Evaluation Plan and the Strategic Engagement Plan.

Progress against the 2014 Taxpayer Accountability Principles to date includes:

- An orientation to the Taxpayer Accountability Principles was undertaken in fall 2014 for Partnerships BC's Board of Directors and staff.
- Comprehensive codes of conduct are posted at www.partnerships.bc.ca

- The 2015/16 Mandate Letter has been posted publicly, reinforcing Partnerships BC's accountability to government's strategic mandate.
- A strategic engagement plan with the Ministry of Finance is underway which includes regular meetings between the Minister and Partnerships BC's Board Chair, and Deputy Minister of Finance and Partnerships BC's President & CEO, that focus on performance against the Taxpayer Accountability Principles, results, and strategic decision-making.
- Development of enhanced evaluation methodology is underway to assess Partnerships BC's performance against the Taxpayer Accountability Principles.
- Partnerships BC's values have been updated to ensure close alignment with the Taxpayer Accountability Principles.

## *Goals, Strategies, Measures and Targets*

Building on the successful platform established over 13 years of operations, and reflecting both the vision of the Board of Directors, and the needs of the Shareholder, the Organization focused on three corporate goals for the 2014/15 fiscal year:

1. Plan and structure partnership delivery solutions for public infrastructure projects which are expected to achieve value for money.
2. Successfully implement partnership delivery solutions for public infrastructure through leadership in procurement practices and market development.
3. Maintain a self-sustaining organization and provide added value to an increasingly diverse client base.

The Organization's three corporate goals, along with the strategies, measures and targets for achieving these goals, were selected to reflect the nature of the business model under which Partnerships BC operates and the maturity of the market.

The following sections report on Partnerships BC's performance against its 2014/15 goals, strategies, measures and targets. Subsequent annual reports will reflect the 2015/16 Mandate Letter and the resulting revisions, including reporting out on progress against the 2014 Taxpayer Accountability Principles.

## *Goal 1: Plan and structure partnership delivery solutions for public infrastructure projects which are expected to achieve value for money*

Partnerships BC is committed to supporting project owners in planning and structuring the optimal delivery solutions for public infrastructure projects that provide value to British Columbians.

### *Strategies*

- Implement ongoing assessments of current and completed projects and use the feedback in subsequent projects.
- Work closely with the Ministry of Finance and clients throughout the planning process to ensure procurement model recommendations are aligned with government priorities.

| Performance Measure | 2013/14 Actual | 2014/15 Target | 2014/15 Actual | 2015/16-2017/18 Target* |
|---|---|---|---|---|
| Procurement options analysis and recommendation aligns with Government objectives | 100% acceptance of procurement options analysis and recommendations by government | Procurement options analysis and recommendation aligns with government objectives – 100% of projects | 100% acceptance of procurement options analysis and recommendations by government | New targets have been set (see Service Plan 2015/16-2017/18) |
| Achieve anticipated value for money at financial close | 100% of projects that reached financial close achieved value for money | Achieve anticipated value for money at financial close | 100% of projects that reached financial close achieved value for money | |

*The footnote and accompanying discussion items below apply to the three tables representing Goals 1, 2 and 3.*

* The Board reviews the targets annually and may revise them if warranted. With the 2015/16 Mandate Letter, the Board has subsequently revised the goals, strategies, measures and targets for the 2015/16 fiscal year and beyond.

Discussion:

- Partnerships BC is in the process of developing and defining benchmark/baseline data during this past and ongoing transition year.
- Future targets are yet to be developed, pending a more complete collection of baseline data.
- For further information on future direction related to all three goals, please refer to Partnerships BC's Service Plan 2015/16-2017/18.

## *Goal 2: Successfully implement partnership delivery solutions for public infrastructure through leadership in procurement, practices and market development*

Fair, transparent, and efficient competitive selection processes help to save time and money for both the public and private sectors. Partnerships BC remains committed to recommending a high level of public disclosure related to procurements, consistent with government policy.

***Strategies***

- Implement ongoing assessments of current and completed projects and use feedback in future projects.
- Reinforce B.C.'s reputation as an attractive market for major infrastructure projects and promote individual projects to ensure strong bidder response.
- Manage fair, transparent and consistent competitive selection processes.
- Engage with local B.C. companies and organizations to share information, discuss concerns, and identify opportunities.

| Performance Measure | 2013/14 Actual | 2014/15 Target | 2014/15 Actual | 2015/16-2017/18 Target* |
|---|---|---|---|---|
| Participation in active competitive selection processes | Exceeded target | Participate in three to five competitive selection processes per year | Exceeded target | New targets have been set (see Service Plan 2015/16-2017/18) |
| Total competitive selection process time from RFQ to Financial Close | Achieved with two exceptions | Number of months (18 months for DBFM/O projects; 12 months for DB projects) | Achieved goal on two out of five projects which reached financial close. Schedules on the remainder were extended to ensure the most beneficial project outcome. | |
| Level of competition and ongoing market development | Exceeded target | Achieve a minimum of four qualified respondents at the RFQ stage of every competitive process, with expectation to shortlist three respondents | Achieved goal on nine out of eleven projects. The other two projects were outside of B.C. where the market is still developing. | |
| | | | | |

| Performance Measure | 2013/14 Actual | 2014/15 Target | 2014/15 Actual | 2015/16-2017/18 Target* |
|---|---|---|---|---|
| Level of client satisfaction and involvement in post-financial close (PFC) engagements | Client satisfaction survey not conducted in 2013/14<br><br>Exceeded post financial close engagement target | Achieve an 85 per cent customer satisfaction rating.<br><br>Maintain PFC engagement at a minimum of five per cent of annual revenue target. | Client satisfaction survey not conducted in 2014-15 due to recent review by Crown Review team<br><br>Exceeded PFC engagement target | |

## *Goal 3: Maintain a self-sustaining organization and provide added value to an increasingly diverse client base*

Partnerships BC is committed to the principles of fiscal responsibility and financial independence. The Board establishes net income targets and budgeted expenses that reflect direction from the Minister of Finance.

Partnerships BC continues to diversify with new clients and new sectors where its expertise can add value. The Organization continues its engagement activities to listen to, and respond to, feedback from stakeholders, decision-makers and influencers, and to improve its services to clients.

Partnerships BC strives to create a positive corporate culture for its employees. The ability to attract and retain high-performing staff is critical to achieving its corporate goals.

***Strategies***

- Respond to client needs and focus on providing value-added services.
- Apply expertise as required to support all aspects of clients' needs.
- Adapt operations to manage business outside of the provincial entity, while ensuring value-add within entity.

| Performance Measure | 2013/14 Actual | 2014/15 Target | 2014/15 Actual | 2015/16-2017/18 Target* |
|---|---|---|---|---|
| Achieve financial plan – meet net income target | Exceeded target | Meet approved net income target | Exceeded target (see financial statements) | New targets have been set (See Service Plan 2015/16-2017/18) |
| Increase diversity of client base | Met target | Obtain a minimum of 15 per cent (of revenue target) of work with other jurisdictions on an annual basis | Exceeded target | |
| Maintain and develop required employee levels and skillsets<br><br>Maintain a positive, professional culture | Met target | Achieve a minimum of four out of five from annual employee satisfaction survey | Employee satisfaction survey not conducted as Organization was undergoing some significant changes at the senior management level | |

# Financial Report

***Management's Discussion and Analysis***

This Management's Discussion and Analysis (MD&A) of Partnerships BC should be read in conjunction with the audited financial statements and accompanying notes. The results reported are prepared in accordance with Canadian Public Sector Accounting Standards using guidelines developed by the Public Sector Accounting (PSA) Board of the Chartered Professional Accountants of Canada and are presented in Canadian dollars.

This MD&A contains forward-looking statements, including statements regarding business and anticipated financial performance of the Organization. Forward-looking statements are subject to a number of risks and uncertainties that may cause actual results or performance to differ materially from forecasted results expressed or implied.

**Annual Financial Performance**

**Comparison of 2014/15 and 2013/14 Financial Performances**

During the year, the Organization supported project owners in reaching final project agreements on five projects, and progressed six projects which are currently in the market, with another two projects on hold. Work fee revenues from projects that were either in procurement or reached a final project agreement contributed to the Organization's revenues of $7,052,026 in 2014/15 compared to $8,588,029 in 2013/14, resulting in a decrease of $1,536,003 or 17.9 per cent. The decrease was largely due to the fewer number of active procurements in 2014/15 compared to 2013/14.

In 2014/15, the majority of work fee revenue was generated from the following British Columbia and out-of-province projects that either reached a final project agreement or are in the procurement phase:

- BC Children's and BC Women's Hospital Redevelopment Project
- North Island Hospitals Project
- Emily Carr University of Art + Design Campus Redevelopment Project
- City of Surrey Biofuel Processing Facility Project
- Swift Current Long Term Care Centre Project
- Saskatchewan Hospital North Battleford Integrated Correctional Centre Project
- Site C Clean Energy Project Worker Accommodation
- Penticton Regional Hospital and Patient Care Tower Project
- Saskatchewan Schools K – 8 Project
- Whitehorse General Hospital Expansion Project
- Whistle Bend Continuing Care Project

In addition, Partnerships BC provided advisory services during design, construction and operations on the Surrey Pre-Trial Services Centre Expansion Project, Evergreen Line Rapid

Transit Project, Iqaluit Airport Improvement Project, Emily Carr University of Art + Design Campus Redevelopment Project, Okanagan Correctional Centre Project, and Wood Innovation and Design Centre Project.

The out-of-province engagements, which contributed 43.5 per cent of the work fees, together with the number of active engagements in British Columbia, contributed to Partnerships BC's operating surplus of $539,979. While this was lower than the 2013/14 operating surplus of $599,169, it was a significant improvement when compared to its budgeted Service Plan operating loss of $1,830,000.

The table below presents a comparison of selected statements of operations of the current fiscal year with those of the previous fiscal year.

| | | | % of revenues | |
|---|---|---|---|---|
| | **2015** | **2014** | **2015** | **2014** |
| Revenues | $ 7,052,026 | $ 8,588,029 | 100.0% | 100.0% |
| Salaries and benefits | (4,938,389) | (6,165,440) | -70.0% | -71.8% |
| General and administrative expenses | (1,512,125) | (1,721,582) | -21.4% | -20.0% |
| Amortization | (61,533) | (101,838) | -0.9% | -1.2% |
| Operating surplus | $ 539,979 | $ 599,169 | 7.7% | 7.0% |

**Revenues**

Revenues for the year ended March 31, 2015 were $7,052,026 of which $6,894,373 was from work fees and $157,653 was from interest income. In comparison, revenues for the year ended March 31, 2014 were $8,588,029 of which $8,434,270 was from work fees and $153,759 was from interest income.

The table below details changes to the Organization's revenues by category.

| | **2015** | **2014** | **Change** |
|---|---|---|---|
| Work fees | $ 6,894,373 | $ 8,434,270 | $ (1,539,897) |
| Interest income | 157,653 | 153,759 | 3,894 |
| | $ 7,052,026 | $ 8,588,029 | $ (1,536,003) |

Going forward, Partnerships BC anticipates that it will meet its 2015/16 to 2017/18 revenue targets without any increase in hourly charge-out rates. The estimated revenue targets are based on work fees from known provincial capital projects and also include clients from outside the province where Partnerships BC's expertise adds value. This strategy aligns with the Province of B.C.'s goal to provide opportunities for job creation and investment for local and other Canadian companies.

**Comparison to Budget**

The table below details the Organization's actual and budgeted revenues for 2014/15.

| | 2015 Actual | 2015 Budget | Change | % |
|---|---|---|---|---|
| Work fees | $ 6,894,373 | $ 6,000,000 | $ 894,373 | 14.9% |
| Interest income | 157,653 | 140,000 | 17,653 | 12.6% |
| | $ 7,052,026 | $ 6,140,000 | $ 912,026 | 14.9% |

The increase in revenues of $912,026 reflects the significant contributions from out-of-province projects.

**Expenses**

The table below details the Organization's operating expenses for 2014/15 and 2013/14.

| | 2015 | 2014 | Change | % |
|---|---|---|---|---|
| Salaries and benefits | $ 4,938,389 | $ 6,165,440 | $ (1,227,051) | -19.9% |
| Administration | 241,839 | 322,920 | (81,081) | -25.1% |
| Building occupancy | 621,225 | 631,999 | (10,774) | -1.7% |
| Corporate relations | 2,744 | 5,596 | (2,852) | -51.0% |
| Information systems | 330,104 | 356,001 | (25,897) | -7.3% |
| Professional fees | 196,783 | 270,452 | (73,669) | -27.2% |
| Travel | 119,430 | 134,614 | (15,184) | -11.3% |
| Amortization | 61,533 | 101,838 | (40,305) | -39.6% |
| Total General and Administrative Expenses | 1,573,658 | 1,823,420 | (249,762) | -13.7% |
| Total Operating Expenses | $ 6,512,047 | $ 7,988,860 | $ (1,476,813) | -18.5% |
| % of expenses to revenues | 92.3% | 93.0% | | |
| % of general and administration expenses to revenues | 22.3% | 21.2% | | |

For the year ended March 31, 2015, there was a decrease in operating expenses of $1,476,813, or 18.5 per cent, compared to the previous year.

The decrease in salaries and benefits for the year ended March 31, 2015 was largely attributable to the significant decrease and composition of FTEs when compared to the year ended March 31, 2014. The Organization averaged 28.6 FTEs for the year ended March 31, 2015 compared to

38.3 FTEs for the year ended March 31, 2014. The reduction in the average number of FTEs was due to the workforce planning reductions which took place in Q4 of 2013/14 and Q1 of 2014/15 as a result of the previously anticipated reduction in the number of capital projects.

The decrease in administration costs was due to the significant reduction in FTEs during the year.

The decrease in building occupancy costs was attributable to the reduction in the Organization's Vancouver office space in 2014/15. The reduction was part of the Organization's overall strategy to reduce its total general and administrative costs which is in line with Government's directions to Crown corporations to continue to seek more efficient and cost-effective ways of delivering services and value to the taxpayers of British Columbia.

The decrease in information technology expenditures of $25,897 was due to the completion of the implementation of the Organization's network upgrade and capital hardware evergreen initiative. It was also attributable to reductions in SharePoint support services costs and network connectivity costs.

The decrease in professional fees of $73,669 was largely due to the completion of the Organization's workforce planning exercise and the corresponding legal and communications advice required to implement the changes necessary to restructure the Organization in anticipation of a significant reduction in the number of capital projects.

**Comparison to Budget**

The table below details the Organization's actual and budgeted expenses for 2014/15.

| | 2015 Actual | 2015 Budget | Change | % |
|---|---|---|---|---|
| Salaries and benefits | $ 4,938,389 | $ 6,250,000 | $ (1,311,611) | -21.0% |
| Administration | 241,839 | 282,100 | (40,261) | -14.3% |
| Building occupancy | 621,225 | 544,500 | 76,725 | 14.1% |
| Corporate relations | 2,744 | 70,000 | (67,256) | -96.1% |
| Information systems | 330,104 | 368,400 | (38,296) | -10.4% |
| Professional fees | 196,783 | 270,000 | (73,217) | -27.1% |
| Travel | 119,430 | 125,000 | (5,570) | -4.5% |
| Amortization | 61,533 | 60,000 | 1,533 | 2.6% |
| Total General and Administrative Expenses | 1,573,658 | 1,720,000 | (146,342) | -8.5% |
| Total Operating Expenses | $ 6,512,047 | $ 7,970,000 | $ (1,457,953) | -18.3% |
| % of expenses to revenues | 92.3% | 129.8% | | |
| % of general and administrative expenses to revenues | 22.3% | 28.0% | | |

Salaries and benefits for the year ended March 31, 2015 were under budget by $1,311,611, or 21.0 per cent. The Organization had budgeted for significant restructuring costs to account for workforce reductions in 2014/15 and the timely replacement of employees who were promoted during the year. However, by achieving the majority of the Organization's planned workforce reductions in Q4 2013/14, and by filling vacant positions through internal promotions by Q3 2014/15, full year compensation expenses were considerably lower.

Total general and administration costs for the year ended March 31, 2015 were under budget by $146,342 due to reductions in administrative expenses, information technology, corporate relations, professional fees, and travel expenses, net of increases in building occupancy costs and amortization expenses.

Administration expenses for the year ended March 31, 2015 were under budget by $40,261 as the Organization had fewer employees and Board members compared to previous fiscal year.

Building occupancy costs for the year ended March 31, 2015 were over budget by $76,725. The 2014/15 budget assumed that the Organization would be able to secure an early termination of its Vancouver office lease at the beginning of the fiscal year instead of at the expiry of the lease on October 31, 2014. Instead, the Organization entered into a sublease agreement and moved its Vancouver offices on October 15, 2014. This resulted in a reduction in its office space by

approximately 2,100 square feet and will generate cost savings of approximately $100,000 annually.

Corporate relations expenses for the year ended March 31, 2015 were under budget by $67,256 as the Organization had sufficient internal communications resources to manage all of its communications and corporate relations initiatives.

Information systems expenses for the year ended March 31, 2015 were $38,296 under budget, which was largely due to the renegotiation of the Organization's network and support services contracts.

Professional fees for the year ended March 31, 2015 were under budget by $73,217 as the Organization had budgeted for workforce planning, communications and legal advice associated with its plan to restructure its workforce as a result of the reduction in the number of capital projects in 2015/16. The corporate restructuring and its associated costs were completed in Q4 2013/14.

Total expenses for the year ended March 31, 2015, as a percentage of revenues, were 92.3 per cent compared to budget of 129.8 per cent. General and administrative expenses for the year ended March 31, 2015, as a percentage of revenues, were 22.3 per cent versus 28.0 per cent.

**Statement of Financial Position**

The table below presents a comparison of selected financial position items of the current fiscal year with those of the previous fiscal year.

| | 2015 | 2014 | Change | % |
|---|---|---|---|---|
| **Financial Assets** | | | | |
| Cash | $10,365,552 | $10,157,552 | $ 208,000 | 2.0% |
| Accounts receivable | 1,494,748 | 2,030,614 | (535,866) | -26.4% |
| Portfolio investments | 4,244,610 | 4,195,907 | 48,703 | 1.2% |
| **Total Financial Assets** | 16,104,910 | 16,384,073 | (279,163) | -1.7% |
| **Liabilities** | | | | |
| Accounts payable and accrued liabilities | 809,547 | 1,600,007 | (790,460) | -49.4% |
| **Total Liabilities** | 809,547 | 1,600,007 | (790,460) | -49.4% |
| **Net Financial Assets** | $15,295,363 | $14,784,066 | $ 511,297 | 3.5% |
| **Non-Financial Assets** | $ 222,710 | $ 193,765 | $ 28,945 | 14.9% |
| **Accumulated Surplus** | $15,518,073 | $14,977,831 | $ 540,242 | 3.6% |

Cash increased by $208,000, from $10,157,552 as at March 31, 2014 to $10,365,552 as at March 31, 2015. The increase in cash was mainly due to the positive operating results during the year. Portfolio investments increased $48,703 from $4,195,907 as at March 31, 2014 to $4,244,610 as at March 31, 2015. The Organization's portfolio investments are invested and managed in accordance with the Organization's Board-approved statement of investment policies and procedures.

Accounts receivable, which consists of work fees, project recoverable expenses and accruals at year end, decreased by $535,866, from $2,030,614 as at March 31, 2014 to $1,494,748 as at March 31, 2015. Current accounts receivable represented 96 per cent of the balance at year-end reflecting strong collection of outstanding receivables. The decrease in accounts receivable reflects a reduction in year-end billings and accruals for project recoveries. The Organization did not accrue for any provision for doubtful accounts as at March 31, 2015.

There were no significant changes to other current assets.

Amortization expense was $61,533, net of $71,806 in capital asset additions, which was under budget in comparison to the Organization's approved 2014/15 capital expenditures budget.

**Liabilities**

Accounts payable and accrued liabilities decreased by $790,460, from $1,600,007 as at March 31, 2014 to $809,547 as at March 31, 2015. The decrease in accounts payable and accrued liabilities was directly related to the elimination of the Organization's short-term incentive program for the majority of its staff members.

**Statement of Cash Flows**

***Liquidity and capital resources***

The table below presents a comparison of the Organization's working capital position for the current fiscal year with that of the previous fiscal year.

| | 2015 | 2014 | Change |
|---|---|---|---|
| Cash | $10,365,552 | $10,157,552 | $ 208,000 |
| Accounts receivable | 1,494,748 | 2,030,614 | (535,866) |
| Portfolio investments | 4,244,610 | 4,195,907 | 48,703 |
| Other current assets | 72,039 | 53,367 | 18,672 |
| | 16,176,949 | 16,437,440 | (260,491) |
| Accounts payable and accrued liabilities | 809,547 | 1,600,007 | (790,460) |
| Net working capital | $15,367,402 | $14,837,433 | $ 529,969 |

As at March 31, 2015, the Organization's principal sources of liquidity include cash of $10,365,552, accounts receivable of $1,494,748, and portfolio investments of $4,244,610. The Organization has $809,547 in accounts payable and accrued liabilities due next year. As a result, the Organization's net working capital improved by $529,969 to $15,367,402 as at March 31, 2015.

**Selected Annual Information**

The following table presents selected financial information for the years ended March 31, 2015, 2014, 2013, 2012, and 2011.

| | 2015 | 2014 | 2013 | 2012 | 2011 |
|---|---|---|---|---|---|
| Total revenues | $ 7,052,026 | $ 8,588,029 | $ 9,636,402 | $ 8,469,672 | $ 8,532,161 |
| Total operating expenses | $ 6,512,047 | $ 7,988,860 | $ 8,302,829 | $ 7,921,699 | $ 8,313,550 |
| Annual operating surplus | $ 539,979 | $ 599,169 | $ 1,333,573 | $ 547,973 | $ 218,611 |
| Total current assets | $16,176,949 | $16,437,440 | $16,330,851 | $14,714,884 | $14,632,751 |
| Total assets | $16,327,620 | $16,577,838 | $16,489,199 | $14,987,535 | $14,957,286 |
| Total current liabilities | $ 809,547 | $ 1,600,007 | $ 2,109,945 | $ 1,945,675 | $ 2,464,688 |
| Total liabilities | $ 809,547 | $ 1,600,007 | $ 2,109,945 | $ 1,945,675 | $ 2,463,688 |

**Outlook for Fiscal 2015/16**

Partnerships BC will continue to be a recognized leader in evaluating, structuring and implementing delivery solutions for complex public infrastructure projects while delivering consistent value to its clients. In addition, Partnerships BC will further develop and expand its stakeholder engagement and business development initiatives as per the recommendations from the Government's Crown Review report. These initiatives are captured in the Organization's revised corporate goals and performance measures.

Given the anticipated pipeline of projects, Partnerships BC is forecasting revenues of $7.18 million to $7.61 million from 2015/16 to 2017/18. These forecasted revenues are expected to generate annual operating surplus of $0.66 million in 2015/16, $0.68 million in 2016/17, and $0.73 million in 2017/18. The Organization remains committed to being self-sufficient and achieving an operating surplus position going forward. This will be accomplished through a comprehensive business development strategy that is expected to generate opportunities within British Columbia, and supplemented by opportunities outside of the provincial entity.

Information relating to Partnerships BC's budget is included in its 2015/16-2017/18 Service Plan, which can be found on the Organization's website at www.partnershipsbc.ca.

**Budgets for Fiscal 2015/16 to 2017/18**

The following table presents the budgets for fiscal years 2015/16 to 2017/18 as outlined in Partnerships BC's current Service Plan.

| | 2016 | 2017 | 2018 |
|---|---|---|---|
| | (in millions of dollars) | | |
| **Revenue** | | | |
| Work fees | $ 7.18 | $ 7.39 | $ 7.61 |
| Interest income | 0.14 | 0.14 | 0.14 |
| Total revenue | 7.32 | 7.53 | 7.75 |
| **Expenditures** | | | |
| Human resource costs | 5.02 | 5.17 | 5.28 |
| Professional services | 0.25 | 0.26 | 0.26 |
| Administration | 1.25 | 1.27 | 1.33 |
| Corporate relations | 0.07 | 0.07 | 0.07 |
| Amortization | 0.07 | 0.08 | 0.08 |
| Total expenditures | 6.66 | 6.85 | 7.02 |
| Project recoveries | 2.25 | 2.32 | 2.88 |
| Project recoverable expenses | 2.25 | 2.32 | 2.88 |
| | - | - | - |
| Annual Operating Surplus (Loss) | $ 0.66 | $ 0.68 | $ 0.73 |

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# INDEPENDENT AUDITOR'S REPORT

**To the Board of Directors and Shareholder of Partnerships British Columbia Inc.**

We have audited the accompanying financial statements of Partnerships British Columbia Inc., which comprise the Statement of Financial Position as at March 31, 2015 and the Statements of Operations, Remeasurement Gains and Losses, Change in Net Financial Assets and Cash Flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

**Management's Responsibility for the Financial Statements**

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Canadian public sector accounting standards, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

**Auditor's Responsibility**

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

**Opinion**

In our opinion, the financial statements present fairly in all material respects, the financial position of Partnerships British Columbia Inc. as at March 31, 2015 and its results of operations, changes in remeasurement gains and losses, net financial assets and cash flows for the year then ended, in accordance with Canadian public sector accounting standards.

BDO Canada LLP

Chartered Accountants

Vancouver, British Columbia
June 3, 2015

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## *Audited Financial Statements*

**Partnerships British Columbia Inc.**
**Statement of Financial Position**
**As at March 31, 2015 and 2014**

| | March 31, 2015 | March 31, 2014 |
|---|---|---|
| **Financial assets** | | |
| Cash | $ 10,365,552 | $ 10,157,552 |
| Accounts receivable (Note 3) | 1,494,748 | 2,030,614 |
| Portfolio investments (Note 4) | 4,244,610 | 4,195,907 |
| Total Financial Assets | 16,104,910 | 16,384,073 |
| **Liabilities** | | |
| Accounts payable & accrued liabilities (Note 5) | 809,547 | 1,600,007 |
| Total Liabilities | 809,547 | 1,600,007 |
| **Net financial assets** | 15,295,363 | 14,784,066 |
| **Non-financial assets** | | |
| Prepaid expenses | 72,039 | 53,367 |
| Tangible capital assets (Note 7) | 150,671 | 140,398 |
| Total Non-financial Assets | 222,710 | 193,765 |
| **Accumulated surplus (Note 8)** | $ 15,518,073 | $ 14,977,831 |
| Accumulated surplus is comprised of: | | |
| Accumulated operating surplus | $ 15,509,606 | $ 14,969,627 |
| Accumulated remeasurement gains | 8,465 | 8,202 |
| Share capital | 2 | 2 |
| | $ 15,518,073 | $ 14,977,831 |

The accompanying notes are an integral part of these financial statements.

**APPROVED ON BEHALF OF THE BOARD**

D. Hayden, Chair

P. Kappel, Director

**Partnerships British Columbia Inc.**
**Statement of Operations**
**For the Years Ended March 31, 2015 and 2014**

| | Budget (Note 13) | March 31, 2015 | March 31, 2014 |
|---|---|---|---|
| **Revenue** | | | |
| Work fees | $ 6,000,000 | $ 6,894,373 | $ 8,434,270 |
| Interest income | 140,000 | 157,653 | 153,759 |
| Total Revenues | 6,140,000 | 7,052,026 | 8,588,029 |
| **Expenses** | | | |
| Administration | 282,100 | 241,839 | 322,920 |
| Amortization | 60,000 | 61,533 | 101,838 |
| Building occupancy | 544,500 | 621,225 | 631,999 |
| Corporate relations | 70,000 | 2,744 | 5,596 |
| Information systems | 368,400 | 330,104 | 356,001 |
| Professional services | 270,000 | 196,783 | 270,452 |
| Salaries and benefits | 6,250,000 | 4,938,389 | 6,165,440 |
| Travel | 125,000 | 119,430 | 134,614 |
| Total Expenses | 7,970,000 | 6,512,047 | 7,988,860 |
| **Reimbursable costs** | | | |
| Project recoveries | 2,250,000 | 1,627,097 | 2,729,922 |
| Less: Project expenses | (2,250,000) | (1,627,097) | (2,729,922) |
| Net reimbursable costs | - | - | - |
| **Annual operating surplus (deficit)** | (1,830,000) | 539,979 | 599,169 |
| **Accumulated operating surplus, beginning of year** | 14,969,627 | 14,969,627 | 14,370,458 |
| **Accumulated operating surplus, end of year** | $ 13,139,627 | $ 15,509,606 | $ 14,969,627 |

The accompanying notes are an integral part of these financial statements.

**Partnerships British Columbia Inc.**
**Statement of Remeasurement Gains and Losses**
**For the Years Ended March 31, 2015 and 2014**

| | March 31, 2015 | March 31, 2014 |
|---|---|---|
| **Accumulated remeasurement gains, beginning of year** | $ 8,202 | $ 8,794 |
| Plus: Unrealized gains attributable to: Portfolio investments | 48,822 | 49,991 |
| Less: Amounts reclassified to the statement of operations: Portfolio investments | (48,559) | (50,583) |
| Net remeasurement gains (losses) for the year | 263 | (592) |
| **Accumulated remeasurement gains, end of year** | $ 8,465 | $ 8,202 |

The accompanying notes are an integral part of these financial statements.

**Partnerships British Columbia Inc.**
**Statement of Changes in Net Financial Assets**
**For the Years Ended March 31, 2015 and 2014**

| | Budget | March 31, 2015 | March 31, 2014 |
|---|---|---|---|
| | (Note 13) | | |
| Annual operating surplus | $ (1,830,000) | $ 539,979 | $ 599,169 |
| Acquisition of tangible capital assets | (84,500) | (71,806) | (83,888) |
| Amortization of tangible capital assets | 60,000 | 61,533 | 101,838 |
| | (24,500) | (10,273) | 17,950 |
| Additions to prepaid expenses | - | (254,539) | (180,480) |
| Use of prepaid expenses | (21,686) | 235,867 | 198,145 |
| | (21,686) | (18,672) | 17,665 |
| Effect of remeasurement gains (losses) for the year | | 263 | (592) |
| **Increase in net financial assets for the year** | (1,876,186) | 511,297 | 634,192 |
| **Net financial assets, beginning of year** | 14,784,066 | 14,784,066 | 14,149,874 |
| **Net financial assets, end of year** | $ 12,907,880 | $ 15,295,363 | $ 14,784,066 |

The accompanying notes are an integral part of these financial statements.

**Partnerships British Columbia Inc.**
**Statement of Cash Flows**
**For the Years Ended March 31, 2015 and 2014**

| | March 31, 2015 | March 31, 2014 |
|---|---|---|
| **Operating transactions** | | |
| Annual operating surplus | $ 539,979 | $ 599,169 |
| Non-cash item included in surplus: | | |
| Amortization of tangible capital assets | 61,533 | 101,838 |
| | 601,512 | 701,007 |
| **Changes in operating accounts** | | |
| Accounts receivable | 535,866 | 1,008,384 |
| Prepaid expenses | (18,672) | 17,665 |
| Accounts payable and accrued liabilities | (790,460) | (509,938) |
| | (273,266) | 516,111 |
| **Total operating transactions** | 328,246 | 1,217,118 |
| **Capital transactions** | | |
| Purchase of tangible capital assets, net | (71,806) | (83,888) |
| | (71,806) | (83,888) |
| **Investing transactions** | | |
| Increase in portfolio investments | (48,440) | (50,277) |
| | (48,440) | (50,277) |
| **Net increase in cash for the year** | 208,000 | 1,082,953 |
| **Cash, beginning of year** | 10,157,552 | 9,074,599 |
| **Cash, end of year** | $ 10,365,552 | $ 10,157,552 |

The accompanying notes are an integral part of these financial statements.

## 1. Nature of Operations

Partnerships British Columbia Inc. (Partnerships BC or the Organization) is a company owned by the Province of British Columbia and is governed by a Board of Directors reporting to its sole Shareholder; the Minister of Finance. The Organization was incorporated under the British Columbia Business Corporations Act in May 2002. It has two issued shares, both are held by the Minister of Finance.

The Organization's vision is to be a recognized leader in evaluating, structuring, and implementing delivery solutions for complex public infrastructure while delivering consistent value to its clients. Partnerships BC provides a variety of planning services to public sector agencies wishing to explore innovative options for building and managing public infrastructure like highways, bridges, hospitals, public transit and accommodations facilities.

The Organization's core business is to:

- Provide specialized services in the procurement of major public projects, ranging from advice to business transactions, procurement management, and implementation.
- Provide advice on partnership project management, deal structure, risk management, procurement, and the selection and engagement of consultants.
- Foster a positive business and policy environment for successful projects and related activities by continually expanding British Columbia's and other jurisdictions' base of knowledge, understanding and expertise in these areas.
- Manage an efficient and leading edge organization that meets or exceeds performance expectations.

The Organization's clients are public sector agencies, including ministries, Crown corporations and local authorities such as regional health authorities. To serve these clients effectively, Partnerships BC is also working to build strong relationships with private sector partners such as businesses, investors and the financial services sector.

Partnerships BC is exempt from income taxes under the *Income Tax Act.*

## 2. Summary of Significant Accounting Policies

### a. Basis of accounting

These financial statements are prepared by management in accordance with Canadian Public Sector Accounting Standards using guidelines developed by the Public Sector Accounting Board of the Chartered Professional Accountants of Canada.

### b. Portfolio investments

Partnerships BC invests in government and corporate debt securities through pooled fund products managed by the British Columbia Investment Management Corporation (bcIMC), a corporation established under the Public Sector Pension Plans Act.

**2. Summary of Significant Accounting Policies (continued)**

Unrealized gains and losses from changes in the fair value of financial instruments are recognized in the statement of remeasurement gains and losses. Upon settlement, the cumulative gain or loss is reclassified from the statement of remeasurement gains and losses and recognized in the statement of operations.

Interest and dividends attributable to financial instruments are reported in the statement of operations.

**c. Employee future benefits**

The employees of Partnerships BC belong to the Public Service Pension Plan (the Plan), which is a multi-employer joint trustee plan. This Plan is a defined benefit plan, providing a pension on retirement based on the member's age at retirement, length of service and highest earnings averaged over five years. Inflation adjustments are contingent upon available funding.

The joint board of trustees of the Plan determines the required Plan contributions annually.

The contribution of Partnerships BC to the Plan is recorded as an expense for the year.

**d. Tangible capital assets**

Tangible capital assets are recorded at cost, which includes amounts that are directly related to the acquisition, design, construction, development, improvement or betterment of the assets. Cost includes overhead directly attributable to construction and development, as well as interest costs that are directly attributable to the acquisition or construction of the tangible capital asset.

The cost, less residual value, of the tangible capital assets, excluding land, is amortized on a straight-line basis over their estimated useful lives as follows:

| | |
|---|---|
| • Computer software | 2 years |
| • Computer hardware | 3 years |
| • Furniture and equipment | 5 years |
| • Leasehold improvements | 5 years |

Tangible capital assets are written down when conditions indicate that they no longer contribute to Partnerships BC's ability to provide goods and services.

**e. Prepaid expenses**

Prepaid expenses include software licenses, insurance premiums and travel costs and are charged to expense over the periods expected to benefit from it.

## 2. Summary of Significant Accounting Policies (continued)

### f. Revenue recognition

Revenues are recognized in the period in which the transactions or events occurred that gave rise to the revenues. All revenues are recorded on an accrual basis, except when the accruals cannot be determined with a reasonable degree of certainty or when their estimation is impracticable.

Revenue related to fees or services received in advance of the fee being earned or the service is performed is deferred and recognized when the fee is earned or service performed.

### g. Expenses

Expenses are reported on an accrual basis. The cost of all goods consumed and services received during the year is expensed.

### h. Measurement uncertainty

The preparation of financial statements in conformity with PSA standards, requires management to make estimates and assumptions that affect the reporting amounts of assets and liabilities, and disclosure of contingent assets and liabilities, at the date of the financial statements and the reported amounts of the revenues and expenses during the period. Items requiring the use of significant estimates include the useful life of tangible capital assets, estimated employee benefits, rates for amortization and the impairment of tangible capital assets.

Estimates are based on the best information available at the time of preparation of the financial statements and are reviewed annually to reflect new information as it becomes available. Measurement uncertainty exists in these financial statements. Actual results could differ from these estimates.

## 3. Accounts Receivable

| | March 31, 2015 | March 31, 2014 |
|---|---|---|
| Revenues receivable | $ 1,484,579 | $ 2,021,919 |
| Accrued interest | 10,169 | 8,695 |
| | **$ 1,494,748** | **$ 2,030,614** |

### 3. Accounts Receivable (continued)

There was no provision for doubtful accounts required as at March 31, 2015 and 2014. Included in accounts receivable are the following amounts receivable from government and other government organizations.

| | March 31, 2015 | March 31, 2014 |
|---|---|---|
| Provincial governments | $ 1,444,779 | $ 1,710,855 |
| Other government organizations | 33,868 | 302,512 |
| | **$ 1,478,647** | **$ 2,013,367** |

### 4. Portfolio Investments

| | March 31, 2015 | March 31, 2014 |
|---|---|---|
| Fair market value | $ 4,244,610 | $ 4,195,907 |
| Less: Original cost | (4,236,145) | (4,187,705) |
| Unrealized gain | **$ 8,465** | **$ 8,202** |

Portfolio investments consist of investments in the Canadian Money Market Fund ST2 managed by bcIMC. The fund invests in government and corporate debt securities, including commercial paper. For the calendar year ending December 31, 2014, the fund had an annualized return of 1.1 percent compared to an annualized return of 1.2 percent for the prior year.

### 5. Accounts Payable and Accrued Liabilities

| | March 31, 2015 | March 31, 2014 |
|---|---|---|
| Accounts payables and accrued liabilities | $ 378,866 | $ 716,275 |
| Salaries and benefits payable | 283,410 | 739,499 |
| Accrued vacation pay | 147,271 | 144,233 |
| | **$ 809,547** | **$ 1,600,007** |

### 6. Employee Future Benefits

Partnerships BC and its employees contribute to the Public Service Pension Plan (the Plan) in accordance with the Public Sector Pension Plan Act. BC Pension Corporation administers the Plan, including payment of pension benefits to employees to whom the act applies. The Public Service Pension Plan is a multi-employer, defined benefit plan.

## 6. Employee Future Benefits (continued)

Information about obligations for retirement benefits is as follows:

Pension plan
Partnerships BC and its employees contribute to the Plan in accordance with the Public Sector Pension Plan Act. The Plan provides defined pension benefits to employees based on their length of service and salary. The maximum contribution rate for eligible employees was 9.43% (2014: 9.43%). Partnerships BC's contributions exceed the employee contributions to the plan. During the year ended March 31, 2015, Partnerships BC contributed $380,863 (2014: $422,175) to the Plan. These contributions are the Organization's pension benefit expense. No pension liability for this type of plan is included in the financial statements.

Every three years, an actuarial valuation is performed to assess the financial position of the Plan and the adequacy of Plan funding. The latest valuation as at March 31, 2014 showed that the Plan had a surplus of $194 million and is 101 percent funded as it had assets of $20.472 billion and liabilities of $20.278 billion. The actuary does not attribute portions of the unfunded liability to individual employers. The next valuation will be as at March 31, 2017 with results available mid-2017.

## 7. Tangible Capital Assets

| | Computer software | Computer hardware | Furniture and equipment | Leasehold improvements | 2015 Total |
|---|---|---|---|---|---|
| **Cost** | | | | | |
| Opening Balance | $ 119,432 | $ 407,270 | $ 162,699 | $ 392,174 | $ 1,081,575 |
| Additions | - | 19,130 | 1,738 | 57,079 | 77,947 |
| Disposals | 32,255 | 54,293 | 25,942 | 65,795 | 178,285 |
| Closing Balance | 87,177 | 372,107 | 138,495 | 383,458 | 981,237 |
| **Accumulated Amortization** | | | | | |
| Opening Balance | 119,432 | 317,926 | 116,337 | 387,482 | 941,177 |
| Amortization | - | 41,901 | 15,045 | 4,587 | 61,533 |
| Disposals | 32,255 | 54,293 | 22,765 | 62,831 | 172,144 |
| Closing Balance | 87,177 | 305,534 | 108,617 | 329,238 | 830,566 |
| **Net book value** | **$ -** | **$ 66,573** | **$ 29,878** | **$ 54,220** | **$ 150,671** |

## 7. Tangible Capital Assets (continued)

| | Computer software | Computer hardware | Furniture and equipment | Leasehold improvements | 2014 Total |
|---|---|---|---|---|---|
| **Cost** | | | | | |
| Opening Balance | $ 119,432 | $ 449,640 | $ 144,188 | $ 392,174 | $ 1,105,434 |
| Additions | - | 65,377 | 18,511 | - | 83,888 |
| Disposals | - | 107,747 | - | - | 107,747 |
| Closing Balance | 119,432 | 407,270 | 162,699 | 392,174 | 1,081,575 |
| **Accumulated Amortization** | | | | | |
| Opening Balance | 119,150 | 339,751 | 102,515 | 385,670 | 947,086 |
| Amortization | 282 | 85,922 | 13,822 | 1,812 | 101,838 |
| Disposals | - | 107,747 | - | - | 107,747 |
| Closing Balance | 119,432 | 317,926 | 116,337 | 387,482 | 941,177 |
| **Net book value** | **$ -** | **$ 89,344** | **$ 46,362** | **$ 4,692** | **$ 140,398** |

## 8. Accumulated Surplus

The accumulated surplus is made up as follows:

| | March 31, 2015 | March 31, 2014 |
|---|---|---|
| Accumulated operating surplus | $ 15,509,606 | $ 14,969,627 |
| Accumulated remeasurement gains | 8,465 | 8,202 |
| | 15,518,071 | 14,977,829 |
| Share capital | 2 | 2 |
| | **$ 15,518,073** | **$ 14,977,831** |

The authorized share capital is 5,000,000 common shares at no par value.

## 9. Expenses by Object

The entity is a sole purpose organization and therefore does not report by function and does not provide segmented information.

## 10. Related Party Transactions

Partnerships BC is related through common ownership to all provincial government ministries, agencies and Crown corporations. The majority of the Organization's clients are also provincial government ministries, agencies and Crown corporations.

Transactions with these entities, considered to be in the normal course of operations, are recorded at the exchange amounts. Transfers of assets are recorded at fair value.

**10. Related Party Transactions (continued)**

In the normal course of operations, Partnerships BC entered into transactions with the province and certain Crown corporations, at prevailing market prices and credit terms.

The statement of operations includes the following transactions with related parties:

| | March 31, 2015 | March 31, 2014 |
|---|---|---|
| Fees for services | $ 3,881,347 | $ 5,184,583 |
| Interest income | 151,022 | 150,125 |
| | $ 4,032,369 | $ 5,334,708 |
| Operating expenses: | | |
| Professional services | $ 6,825 | $ 16,360 |
| Administration | 42,440 | 50,100 |
| | $ 49,265 | $ 66,460 |
| Project recoveries | $ 1,080,914 | $ 2,362,193 |

Financial assets and liabilities with related parties as at March 31, 2015 and 2014 were:

| | March 31, 2015 | March 31, 2014 |
|---|---|---|
| Accounts receivable | $ 576,110 | $ 1,275,054 |
| Accounts payable and accrued liabilities | 43,219 | 39,810 |

**11. Commitments**

The Organization is committed to payments under operating leases for premises through 2017/18 as follows:

| Year | Amount |
|---|---|
| 2016 | $ 537,975 |
| 2017 | 540,214 |
| 2018 | 311,382 |
| | $ 1,389,571 |

The Organization's Vancouver and Victoria office leases are scheduled to expire on November 29, 2017 and August 31, 2017 respectively.

## 12. Risk Management

### a. Fair value of financial instruments

The fair value of a financial instrument is the estimated amount that the Organization would receive or pay to settle a financial asset or financial liability as at the reporting date.

The fair values of accounts receivable and accounts payable and accrued liabilities approximate their carrying values given their short-term maturities.

The fair value of the portfolio investments are determined by reference to published bid price quotations in an active market at year-end.

### b. Financial management risk objectives and policies

In the normal course of business, the Organization is exposed to financial risks that have the potential to negatively impact its financial performance. These risks may include credit risk, liquidity risk and interest rate risk.

### c. General objectives, policies and processes

The Audit and Risk Management Committee has overall responsibility for the determination of the Organization's risk management objectives and policies.

The Audit and Risk Management Committee has delegated the authority to ensure effective implementation of the objectives and policies of the Organization to the Chief Executive Officer (CEO) and Senior Management Team. The Audit and Risk Management Committee and Board of Directors receives quarterly reporting from the CEO and Senior Management to ensure all processes and policies put in place are effectively meeting the objectives of the Organization.

### d. Credit risk

Credit risk is the risk that the Organization's counterparties will fail to meet their financial obligations to the Organization, causing a financial loss.

Accounts receivable arise primarily as a result of consulting work to governments, ministries, agencies and Crown corporations, therefore, collection risk is low. The Organization does not consider its exposure to credit risk to be material.

### e. Liquidity risk

Liquidity risk is the risk that the Organization may be unable to generate or obtain sufficient cash or its equivalent in a timely and cost effective manner to meet its commitments as they come due.

**12. Risk Management (continued)**

The Organization has in place a planning, budgeting and forecasting process to help determine the funds required to support the Organization's normal operating requirements. The Organization's annual Service Plan and budget are approved by the Board of Directors. The Organization also provides a quarterly forecast to the Audit and Risk Management Committee.

**f. Market risk**

The Organization is exposed to market risk through the fluctuation of financial instrument fair values due to changes in market prices. The significant market risks to which the Organization is exposed are interest rate and other price risks.

**i. Interest rate risk**

The interest rate risk is the risk that the fair value of future cash flows of a financial instrument fluctuates because of changes in market interest rates. Portfolio investments entered into by the Organization may bear interest at a fixed rate, thus exposing it to the risk of changes in fair value arising from interest rate fluctuations. These portfolio investments are invested in high grade, highly liquid instruments, and as such, the Organization manages its exposure to potential interest rate fluctuations in the short-term. The Organization has no interest bearing debt.

**ii. Other price risk**

Other price risk refers to the risk that the fair value of financial instruments or future cash flows associated with the instruments will fluctuate because of changes in market prices (other than those arising from interest rate risk). The Organization is exposed to price risk through its portfolio investments.

As at March 31, 2015, the Organization's total exposure to market risk is $4,244,610. The Organization's best estimate of the effect on net assets as at March 31, 2015, due to a 5% increase or decrease in the market value of the investment portfolio, with all other variables held constant, would approximately amount to an increase or decrease of $212,231 respectively. In practice, the actual trading results may differ from this sensitivity analysis and the difference could be material.

**12. Risk Management (continued)**

**g. Sensitivity analysis**

The sensitivity analysis included in this note should be used with caution as the changes are hypothetical and are not predictive of future performance. The above sensitivities are calculated with reference to year-end balances and will change due to fluctuations in the balances in the future. In addition, for the purpose of the sensitivity analysis, the effect of a variation in a particular assumption on the fair value of the financial instruments was calculated independently of any change in another assumption. Actual changes in one factor may contribute to changes in another factor, which may magnify or counteract the effect on the fair value of the financial instrument.

**13. Budgeted figures**

Budgeted figures have been provided for comparison purposes and have been derived from the estimates approved by the Board of Directors. These budgeted figures were included in the Organization's 2014/15 Service Plan.

# Appendix A: Additional Information

For further information on Partnerships BC, please visit our website at www.partnershipsbc.ca

## *Corporate Governance*

Partnerships BC is governed by a Board of Directors that is accountable to the Shareholder for ensuring government direction is implemented by the senior management team. The day-to-day operations of the Organization are carried out under the supervision of the President and Chief Executive Officer. For more information on Corporate Governance, please refer to our web page at www.partnershipsbc.ca

## *Organizational Overview*

www.partnershipsbc.ca

## *Contact Information*

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